

**FISH AND WILDLIFE SERVICE
STATE GRANTS**

State Grants

Part 522 Federal Aid Program Guidance

Chapter 19 Program Income from Federal Assistance Grants

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19.1 What is the purpose of this chapter? This chapter provides guidance on what constitutes program income and how we require State fish and wildlife agencies to calculate and use program income generated by Federal Assistance grants funded under the Wildlife and Sport Fish Restoration Programs.

19.2 What is the scope of this chapter? This chapter applies to all Service personnel who administer grants funded through the Wildlife and Sport Fish Restoration Programs.

19.3 What are the authorities for taking this action?

A. Federal Aid in Sport Fish Restoration Act (16 U.S.C. 777).

B. Pittman-Robertson Wildlife Restoration Act (16 U.S.C. 669).

C. Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments Post-Award Requirements, Program Income (43 CFR 12.65).

D. Administrative Requirements of the Federal Aid in Fish and Federal Aid in Wildlife Restoration Acts, Application of Federal Aid Funds (50 CFR 80.14(c)).

19.4 What is the definition of program income? The program income regulations in 43 CFR 12.65(b) define program income as "...gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. "During the grant period" is the time between the effective date of the award and the ending date of the award reflected in the final financial report." To be considered program income, the grantee or a subgrantee must receive the income. Occasionally people other than the State or subgrantee may use a facility that is funded by Federal Assistance grants for activities that generate income. Only the portion of the income that is returned to the State or subgrantee in the form of agreed-upon rental or other fees is considered Program Income and is subject to Federal oversight. Exhibit 1 provides a partial list of what we may consider program income. We intend for you to use the list to help prompt discussion during the development of the grant agreement.

19.5 Are activities that produce program income allowable under Federal Assistance grants? Yes, we allow the activities if they are incidental to the accomplishment of approved grant purposes.

19.6 Should "net" or "gross" income be used when calculating program income? 43 CFR 12.65(b) defines program income as "gross" income. However, 43 CFR 12.65(c) provides that, "If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income." Therefore, States may include a provision in the grant agreement that allows program income to be reduced by an amount equal to costs incident to the generation of the program income. The grant agreement should identify these costs. Exhibit 2 provides some examples of costs that may be deducted and costs that may not be deducted from gross income when calculating program income. We also developed Exhibit 2 to help prompt discussion during the development of the grant agreement. If the grantee does not specify in the grant agreement how they will calculate program income, we will calculate it by making "gross" income equal to program income.

19.7 How may the State use program income? 43 CFR 12.65(g) identifies three methods (deduction, addition, and cost sharing or matching) for applying program income to Federal and non-Federal outlays. All three methods are acceptable. However, if the State fish and wildlife agency wants to use any method other than deduction, we require it to identify the method in the grant agreement.

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A. If a State fish and wildlife agency wants to use the deduction or addition methods, we will authorize such use.

B. If a State fish and wildlife agency wants to use the cost sharing method of applying program income to the outlays, we must review the reasoning provided by the State and make the final decision based on a variety of factors related to the intent of the Wildlife and Sport Fish Restoration Programs. Examples of acceptable factors might include situations where program income is incidental to the accomplishments of the approved purposes of the grant, and would:

- (1) Allow using the State share of funds on additional fish or wildlife related projects that otherwise could not be sufficiently funded;
- (2) Allow targeting the State's Federal Assistance funds saved by using this method for additional qualified program activities; or
- (3) Result in a net benefit to the program.

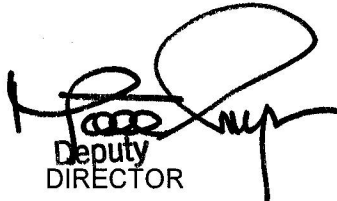
19.8 What may a State do with program income if it exceeds the amount that can be applied to the grant from which it was earned? If more program income is generated by the grantee during the grant period than can be deducted, added, or applied to meeting cost sharing requirements, then that excess program income balance may be applied, as appropriate, to a subsequent grant that has purposes consistent with the grant that generated the excess program income.

19.9 How does the Service handle income generated outside the grant period?

A. We require grant agreements to include specific language that income the grantee generates outside of the grant period from Federal Assistance supported acquisitions or other activities will either be:

- (1) Treated as license revenue and used to support the administration of the State fish and wildlife agency, or,
- (2) If the State so requests, used as additional funding for purposes consistent with the grant or the program that generated the income.

B. For existing grant agreements that do not contain specific language regarding the disposition of income outside the grant period, income generated by the grantee outside of the grant period is to be treated as if it were license revenue. The grantee may request the Service include specific language in the grant agreement requiring the grantee to account for income generated by a subgrantee outside of the grant period. Absent this language, the requirement will be in place only if the grantee chooses to include it in the award to the subgrantee. However, the grantee and subgrantee may enter into subsequent contractual agreements that require accounting of income generated outside the grant period in order to comply with separate obligations (e.g., maintenance of a facility during its useful life, oversight of allowable commercial activities, etc.).


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